

Message Text

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FM AMEMBASSY RANGOON
TO SECSTATE WASHDC 3436

C O N F I D E N T I A L SECTION 1 OF 4 RANGOON 1260

LIMDIS

E.O. 11652: GDS

TAGS: EAID, EALR, PGOV, BM

SUBJ: BURMA'S LEADERSHIP SITUATION AND THE CLIMATE FOR AID

SUMMARY. THE THIRD CONGRESS OF BURMA'S RULING PARTY TENDED TO CONFIRM THE IDENTIFICATION OF GENERAL SAN YU WITH THE MORE ORTHODOX SOCIALISTS AMONG BURMA'S LEADERS; BUT THIS DOES NOT AUTOMATICALLY PLACE NE WIN AMONG THE NON-SOCIALISTS. HE REMAINS ABOVE THE REACH OF CLASSIFICATION, LAYING CLAIM TO THE LOYALTY OF ALL, AND LACKING A CONSISTENT IDEOLOGICAL POSITION OF HIS OWN. THIS LEAVES THE SO-CALLED "PRAGMATISTS" JUST WHERE THEY WERE, STILL WITHOUT LEADERSHIP, AND IT LEAVES THE CLIMATE FOR AID ALSO JUST WHERE IT WAS, WITH NO MORE ASSURANCE, AND PERHAPS LESS IMMEDIATE HOPE, OF FUNDAMENTAL ECONOMIC REFORMS THAN SEEMED TO EXIST LAST FALL. WHILE SOME POTENTIAL DONORS SEEM ANXIOUS TO AID BURMA REGARDLESS, WE SHOULD NOT BE. NOR SHOULD WE THROW UP OUR HANDS, HOWEVER. NE WIN'S LACK OF CONSISTENCY SUGGESTS HE MIGHT BE PUSHED INTO GENUINE REFORM YET, IF HE IS NOT BAILED OUT TOO SOON AND IF THE ECONOMIC DETERIORATION IS NOT HALTED. AND ANY PROBABLE SUCCESSOR, INCLUDING SAN YU, WOULD IN OUR OPINION BE MUCH MORE LIKELY TO MOVE TOWARD PRAGMATIC REFORM THAN IN THE OPPOSITE DIRECTION. END SUMMARY.

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1. WHEN PRESIDENT NE WIN, AT THE EXTRAODINARY BURMA SOCIALIST PROGRAM PARTY CONGRESS HELD IN LATE OCTOBER, 1976, CONFESSED THE REGIME'S ECONOMIC FAILURES AND ASKED WHETHER FUNDAMENTAL PXOLICY REFORMS MIGHT NOT BE NEEDED TO HALT THE DETERIORATION, IT SOUNDED AS THOUGH HE HAD IN MIND SOMETHING CONSIDERABLY MORE DRASTIC THAN THE MODEST ADJUSTMENTS OF THE

PRECEDING FEW YEARS, INCLUDING ACCEPTANCE OF PRODUCTION-SHARING-FORMULA "JOINT VENTURE" INVESTMENT AND THE FISCAL REFORMS (NOTABLY A COMMODITY TAX) UNDERTAKEN LAST YEAR IN PARTIAL COMPLIANCE WITH WORLD BANK RECOMMENDATIONS PRELIMINARY TO THE INAUGURATION OF AN AID CONSULTATIVE GROUP UNDER BANK AUSPICES. EVEN WHEN IT QUICKLY BECAME APPARENT THAT TOP ECONOMIC PLANNING OFFICIALS AND MEMBERS OF THE PARTY'S CENTRAL COMMITTEE WERE ALSO IN THE DARK ABOUT THE PRESIDENT'S INTENTIONS, MANY BURMESE AND FOREIGN OBSERVERS STILL TENDED TO EXPECT SOME FUNDAMENTAL POLICY REFORMS TO FLOW FROM THE THIRD PARTY CONGRESS CONVENED IN LATE FEBRUARY, 1977. INSTEAD, THE CONGRESS REAFFIRMED THE CORRECTNESS OF BASIC POLICIES AND LAID THE BLAME FOR ANY FAILURES ON FAULTY IMPLEMENTATION BY CERTAIN INDIVIDUALS, WHO WERE ACCORDINGLY STRIPPED OF THEIR AUTHORITY (AND KICKED UPSTAIRS).

2. THIS SEQUENCE OF EVENTS DIMINISHED THE BURMA'S CREDIBILITY WITH AID CONSULTATIVE GROUP MEMBERS, AWAKENED AND THEN DASHED EXPECTATIONS AMONG THE BURMESE PEOPLE, AND FURTHER LOWERED MORALE AMONG RESPONSIBLE OFFICIALS OF THE BUREAUCRACY. SOME OBSERVERS HAVE TRIED TO READ INTO THE EVENTS A DELIBERATE AND RATIONAL EFFORT BY THE LEADERSHIP TO GAIN "RATIFICATION" OF THE MODES REFORMS ALREADY INTRODUCED; BUT THIS ANALYSIS IS IN MY OPINION ONLY A RATIONALIZATION. THERE IS NO WAY TO MAKE THIS EXTRAORDINARY HAPPENING INTO A DELIBERATE COURSE OF ACTION PLANNED AND CARRIED OUT BY SENSIBLE MEN IN PURSUIT OF RATIONAL GOALS. BUT THE TANGLED ELEMENTS OF THE HAPPENING CAN BE SORTED OUT, AND THEY MAKE A CERTAIN AMOUNT OF SENSE, ITEM BY ITEM.

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3. OUR PROMINENT ELEMENT IS THE CHARACTERISTICALLY SHORT-FUSED, EMOTIONAL, INCONSISTENT, AND UNPREDICTABLE BEHAVIOR OF NEW WIN. NE WIN HAS ALTERNATED BETWEEN PESSIMISM AND OPTIMISM, NOW FIRED WITH ENTHUSIASM TO COMPLETE THE BUILDING OF SOCIALISM IN BURMA WITHIN A FEW YEARS, NOW MIRED IN DOUBTS AND IN A MOOD TO RETRENCH, SOMETIMES TALKING ABOUT HIS NEED TO PUT DOWN SOME OF THE HEAVY BURDENS OF HIS OFFICE, THEN AGAIN WANTING TO DO EVERYTHING HIMSELF. THE "CAPTAINS' COUP PLOT" OF MID-1976 SHOOK NE WIN, WHO HAD BECOME COMPLACENT ABOUT THE MONOLITHIC LOYALTY OF THE ARMED FORCES, AND REVEALED SHARP DISSATISFACTION, EVEN AMONG ARMY MEN, WITH ECONOMIC CONDITIONS AND OUTLOOK. THE RINGLEADER GAVE AS ONE REASON FOR DISSATISFACTION THE REGIME'S FAILURE TO ATTRACT JOINT VENTURE CAPITAL FROM ABROAD. NE WIN USED THE EXTRAORDINARY PARTY CONGRESS AS A SOUNDING BOARD TO DEMONSTRATE HIS OWN READINESS TO DO ANYTHING NECESSARY TO IMPROVE ECONOMIC CONDITIONS, AND TO SUGGEST THAT THE BLAME--IF ANY--FOR FAILURE LAY ELSEWHERE. BY THE TIME OF

THE III CONGRESS, HOWEVER, NE WIN HAD REGAINED HIS COM-
POSURE, SEEN THE COUP PLOT IN TRUER PERSPECTIVE, AND BECOME
MORE AMENABLE TO THE REMONSTRANCES OF BSPP "HARDLINERS"
(LABELS LIKE "HARDLINER", "PRAGMATIST", ETC. TEND TO
IDENTIFY CATEGORIES OF CONVENIENCE, NOT FIXED ASSOCIATIONS
ROOTED IN IDEOLOGY).

4. THE GENUINE SURPRISE AMONG BOTH BSPP STALWARTS AND
SO-CALLED "PRAGMATISTS" OF THE EXECUTIVE BRANCH OCCASIONED
BY NE WIN'S STATEMENTS AT THE EXTRAORDINARY CONGRESS CALLS
ATTENTION TO ANOTHER ELEMENT IN THE HAPPENING: THE GAP
BETWEEN NE WIN AND THE SENIOR LEVEL OF WORKING OFFICIALS
IN PARTY AND GOVERNMENT. NE WIN MAINTAINS THE GAP, IN PARTY,
BY HIS VERY UNPREDICTABILITY, A DELIBERATE ARBITRARINESS,
WHICH KEEPS SUBORDINATES OFF BALANCE AND ON TENTERHOOKS.
NO ONES DARES TO GET TOO FAR OUT AHEAD, BECAUSE NO ONE KNOWS
PRECISELY WHAT DIRECTION WILL TURN OUT TO BE CORRECT, AS
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DEFINED EX POST FACTO BY NE WIN. PRIME MINISTER SEIN WIN
AND HIS DEPUTY U LWIN CERTAINLY THOUGHT THEY WERE SAFELY
IN LINE WITH NE WIN'S WISHES IN DEVELOPING THEIR MODEST
ECONOMIC PROGRAM FOR THE CONSULTATIVE AID GROUP; THE

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C O N F I D E N T I A L SECTION 2 OF 4 RANGOON 1260

LIMDIS

CONVENTIONAL VIEW HAD BEEN THAT THE SOURCE OF ANY RE-

SISTANCE TO MODEST LIBERAL REFORMS WOULD BE THE BSPP IDEOLOGUES, GENERALLY IDENTIFIED WITH GENERAL SAN YU. THESE "HARDLINERS" HAD, AFTER ALL, BEEN RESISTING CHANGE EVER SINCE DOORS STAARTED BEING OPENED TO THE WEST ABOUT FOUR YEARS AGO.

5. ACTUALLY, THE RELATIONSHIP OF SIN WIN, U LWIN AND THE "PRAGMATISTS" TO NE WIN WAS NOT ALL THAT SOLID. FOR ONE THING, NE WIN IS A JEALOUS MAN, AND HE PROBABLY DID NOT RELISH THE PRAISE COMMONLY HEAPED ON U LWIN AND THE "PRAGMATISTS" IN THE FOREIGN PRESS AND BY INTERNATIONAL FINANCIAL INSTITUTIONS. (THIS IS NOT TO ASSERT THAT NE WIN "DUMPED" U LWIN OUT OF JEALOUSY, AS HE DID DR. NYI NYI A COUPLE OF YEARS AGO; BUT WHEN THE HARDLINERS DEMANDED U LWIN'S HEAD, NE WIN DID NOT FIGHT OFF THEIR DEMANDS AS VIGOROUSLY AS HE MIGHT HAVE DON). BESIDES, NE WIN HAS NEVER BEEN PARTICULARLY IDENTIFIED WITH LIBERAL ECONOMIC POLICIES; ON THE CONTRARY, HE HAS OFTEN APPEARED AS A BSPP ZEALOT, DETERMINED TO AVOID ANY SACRIFICE OF THE DOCTRINE HE HIMSELF HELPED TO DEVELOP. IN POLICY, AS IN SO MUCH ELSE, NE WIN HAS BEEN ERRATIC AND INCONSISTENT, DEFYING CLASSIFICATION. BY KEEPING HIMSELF FREE FROM OVER-IDENTIFICATION WITH ANY CONFIDENTIAL

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PARTICULAR POLICY LINE, NEW WIN IS BETTER ABLE TO LAY CLAIM TO THE LOYALTIES OF PERSONS ON ALL SIDES OF EVERY ISSUE.

6. WHILE THE SO-CALLED "PRAGMATISTS" COULD MARSHAL OVERWHELMING POPULAR SUPPORT FOR A REFORM PROGRAM IF THEY WERE FREE TO PRESENT SUCH A PROGRAM TO THE PEOPLE, AS THINGS STAND IN BURMA THEY HAVE NEITHER STRONG LEADERSHIP NOR A FIRM POWER-BASE. THE SAME IS LESS TRUE OF THE "DOGMATISTS", WHOSE POWER-BASE IS THE BSPP, THE CLEARLY IDENTIFIABLE LEADER OF WHICH IS BSPP GENERAL SECRETARY, SAN YU, FORMAL HEIR APPARENT TO NE WIN. THE FACT THAT THE RULING PARTY LEADERSHIP IS EMBATTLED IN DEFENSE OF AN UNPOPULAR DOCTRINE PROBABLY TENDS TO MAKE IT MORE RIGID AND EVEN MORE SUSPICIOUS OF LIBERALIZATION THAN IT WOULD OTHERWISE BE. LACKING ANY OTHER POWER BASE OF HIS OWN (THE ARMY, IF NO LONGER MONOLITHICALLY LOYAL TO NE WIN, IS MORE LOYAL TO NE WIN THAN TO ANYONE ELSE), SAN YU IS AS DEPENDENT ON THE PARTY AS IT IS ON HIM.

7. THE RELATIONSHIP OF MUTUAL DEPENDENCE BETWEEN SAN YU AND THE BSPP HARDLINE LEADERSHIP PROBABLY HELPS FURTHER TO CLARIFY THE SWITCH-BACK BETWEEN THE APPARENT OPENING OF THE DOOR TO REFORM AT THE EXTRAORDINARY PARTY CONGRESS AND THE SLAMMING OF THE DOOR AT THE CONGRESS ITSELF. WHEN NE WIN EXPLODED HIS BOMBHELL AT THE EXTRA CONGRESS, HE PROBABLY EXPECTED A KICKBACK FROM OPPONENTS OF CHANGE WITHIN THE BSPP,

BUT NOT AS MUCH AS HE ACTUALLY GOT, AND HE PROBABLY EXPECTED NOTHING FROM SAN YU BUT A MEED "AYE AYE, SIR*" INSTEAD, AFTER AN INITIAL RITUAL TUG AT HIS FORELOCK, SAN YU (EGGED ON BY ALARMED HARDLINERS) APPEARS TO HAVE DONE AN EFFECTIVE JOB OF MOBILIZING SUPPORT WITHIN THE PARTY FOR RESISTANCE TO BASIC REFORMS. SINCE NE WIN, FOR REASONS DISCUSSED ABOVE, WAS RAPIDLY LOSING WHATEVER ZEAL FOR REFORM HE HAD HAD, SAN YU'S EFFORT TO HOLD THE LINE IN THE END PROBABLY HAD TO BE DIRECTED NOT SO MUCH AGAINST NE WIN AS AT RALLYING SUPPORT AMONG THE RANK AND FILE, WHO MIGHT

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OTHERWISE HAVE STAMPEDED THROUGH THE REEVRM DOOR WHICH NE WIN HAD SET AJAR.

8. ANOTHER CIRCUMSTANCE THAT MAY HAVE HELPED STIFFEN THE BACK OF THE BSPP IS THE CONTINUING EFFORT, WITH COACHING FROM EAST GERMAN'S RULING PARTY, TO STRENGTHEN THE BSPP ORGANIZATION. COMMUNICATION WITHIN THE BSPP HAS TENDED TO BE ONE-WAY, FROM THE TOP DOWN, WITH NO REAL FEEDBACK FROM THE WORKING LEVEL. EVEN AT THE TOP, THE SECRETARIAT HAS BEEN A STRICTLY HIERARCHICAL STRUCTURE, EACH MEMBER ECHOING THE WORDS OF HIS SUPERIOR. WHILE THIS SITUATION HAS STILL NOT BEEN ELIMINATED, IT MAY BE THAT EFFORTS TO PROMOTE "DEMOCRATIC CENTRALISM" ENABLED SAN YU TO HAVE MORE SUCCESS IN STIMULATING FEEDBACK AGAINST BASIC REFORM THAN HE WOULD OTHERWISE HAVE BEEN ABLE TO DO.

9. PARENTHETICALLY, THE BSPP'S CURRENT RELATIONS WITH THE EAST GERMAN PARTY TEND TO REINFORCE THE COMMON IMAGE OF SAN YU AS PRO-SOVIET--AN ANALYSIS THAT SOMETIMES MAKES NE WIN OUT TO BE PRO-CHINESE, ALMOST BY DEFAULT. NEITHER MAN EXACTLY FITS THESE PIGEON-HOLES. EACH MIGHT IN PRIVATE DESCRIBE HIMSELF AS ANTI-COMMUNIST, ANTI-CHINESE, AND SUSPICIOUS OF THE SOVIETS. HOWEVER, WHEREAS NE WIN, AS HEAD OF STATE, HAS HAD MORE DEALINGS WITH CHINA, AND INDEED CONSIDERS HIMSELF ONE OF THE WORLD'S RANKING CHINA-WATCHERS, THE BSPP HAS HAD CLOER RELATIONS WITH THE EUROPEAN BLOC PARTIES, AND THIS HAS IMPARTED A CORRESPONDING ORIENTATION TO SAN YU'S PATTERN OF CONTACTS. AS SPR AS THE SUBSTANCE OF ECONOMIC PLICIES IS CONCERNED, WHILE BOTH THE SOVIET BLOC AND THE CINESE WOULD BE DISTRUBED BY THE GUB'S ACTUALLY "TAKING THE CAPITALIST ROAD"--E.G., BY A WIDE-OPEN POLICY ON PRIVATE FOREIGN INVESTMENT, THE REPUDIATION OF SOCIALIST FORMS, ETC., THE EAST GERMANS AND THE SOVIET BLOCK REPRESENTATIVES GENERALLY HAVE URGED SOME OF THE SAME REFORMS, AND BEEN JUST AS CRITICAL OF THE GUB'S EXCESSIVELY RIGID AND NAIVE FORM OF SOCIALISM, AS SOME LIBERAL CRITICS. BSPP RESISTANCE

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TO REFORM IS THUS NOT PRIMARILY A MATTER OF LOYALTY TO EXTERNAL
COMMUNIST MODELS. THE BSPP HARDLINERS HAVE A GENUINE RE-
VULSION AGAINST GIVING ANYTHING BACK TO BURMA'S DISPOSSESSED

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FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 3438

C O N F I D E N T I A L SECTION 3 OF 4 RANGOON 1260

LIMDIS

CAPITALISTS, AND PROBABLY PERCEIVE THE STRENGTHENING OF THE
PRIVATE SECTOR BEYOND CERTAIN LIMITS AS A THREAT TO THEIR
OWNPOSITION.

10. IT WOULD MAKE A BIG DIFFERENCE IN THE FUTURE OUTLOOK
IF THE SLAMMING OF THE DOOR ON MAJOR REFORM AND THE DIS-
MISSAL OF U LWIN HAD RESULTED FROM A LEADERSHIP CLASH
IN WHICH NE WIN WAS, IN APPRARANCES AT LEAST, OVERRULED
BY SAN YU. IF THAT WERE THE REAL SITUATION, IT WULD ONLY
BE A QUESTION OF TIME UNTIL NE WIN TURNED THE TABLES ON
SAN YU. NE WIN'S NUMBER TWO'S HAVE GENERALLY NOT LED
CHARMED LIVES ANYWAY, AND BY TRADITIONAL PATTERNS ONE MIGHT
EXPECT NE WIN AT THIS POINT TO BE GROOMING A RIVAL TO SAN YU.
NE WIN IS SO CHANGEABLE HE COULD DITCH SAN YU AT ANY TIME.
HOWEVER, WE DO NOT SEE ANY SIGNS OF THAT, AT LEAST NOT YET.
DEFENSE MINISTER GENERAL KYAW HTIN HAS RISEN A GOOD DEAL, AND
IS INCREASINGLY ACTIVE IN PARTY AFFAIRS, SAN YU'S TURF, BUT IS
NOT SO FAR A RIVAL TO SAN YU. INDEED, ONE OF THE RECURRENT
THEMES OF THE LAST FEW MONTHS HAS BEEN THE MUTUAL REAFFIRMA-
TION OF LOYALTY BETWEEN NE WIN AND SAN YU. WHILE SOME OF
SAN YU'S ASSOCIATES MAY SEE HIM AS A CHAMPION AGAINST NE WIN'S

ECCENTRICITIES, SAN YU HAS CONVINCED NE WIN OF
HIS UTTER LACK OF ANY AMBITION TO SUCCEED TO THE PRESIDENCY.
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SAN YU IS AS UN-THREATENING A NUMBER TWO AS NE WIN IS LIKELY
TO GET. INSTEAD OF DUMPING SAN YU, THEREFORE, NE WIN MAY, AS HE HAS
SO LONG THREATENED TO DO, GRADUALLY TURN MORE AND MORE OF THE
ADMINISTRATIVE BURDENS OF STATE OVER TO SAN YU, LEAVING
HIMSELF SUCH MORE CONGENIAL AND GLAMOROUS TASKS AS FOREIGN
RELATIONS AND HIGH STRATEGY.

11. IF DELEGATION OF ROUTINE RESPONSIBILITIES TO SAN YU IS
THE FUTURE PATTERN OF LEADERSHIP THAT NE WIN HAS IN MIND,
IT WILL NOT NECESSARILY ACCELERATE TENDENCIES TOWARD THE
MORE ORTHODOX SOCIALIST POLICIES WITH WHICH SAN YU IS
POPULARLY IDENTIFIED, NOR WILL IT NECESSARILY BLOCK MOVE-
MENT IN THE DIRECTION OF PRAGMATISM. FOR ONE THING, THE
RANDOMIZING EFFECT OF NE WIN'S MERCURIAL TEMPERAMENT WILL
REMAIN PERVASIVE ENOUGH TO DELAY THE EMERGENCE OF ANY REALLY
CONSISTENT PATTERN. ALSO, AS SUGGESTED ABOVE, SAN YU IS
PERSONALLY ALMOST AS AVERSE AS NE WIN HIMSELF TO A CON-
SCIOUSLY COMMUNIST COURSE. BESIDES, AS EVEN EASTERN
EUROPEAN AMBASSADORS POINT OUT, BURMA AT THIS STAGE SIMPLY
LACKS THE QUALIFICATIONS TO BECOME A REAL "SOCIALIST"
COUNTRY. BURMA'S FUTURE MOVEMENT TOWARDS PRAGMATIC MANAGE-
MENT OF THE ECONOMY, ON THE OTHER HAND, IS NOT DEPENDENT
ON AFFIRMATIVE LEADERSHIP FROM THE TOP, BUT RATHER ON THE
ABSENCE OF INTERFERENCE FROM THE TOP. SUCH MODEST SPURTS
OF FORWARD MOTION AS HAVE OCCURRED IN THE LAST THREE YEARS
HAVE BEEN IN RESPONSE TO BAD NEWS LIKE THE WORKERS' RIOTS
OF 1974, THE DISASTROUS FOREIGN-EXCHANGE OUTLOOK THAT SHAPED
UP IN 1975, AND THE CAPTAINS' COUP PLOT OF 1976. THE EFFECT
OF THESE SHOCKS WAS TO CAUSE THE BURMESE LEADERSHIP TO REDUCE,
AT LEAST MOMENTARILY, ITS RESISTANCE TO SENSIBLE MEASURES
WHOSE NEED WAS QUITE APPARENT TO WORKING LEVEL OFFICIALS OF
THE GUB. IF THERE ARE--AS WE EXPECT--MORE SUCH SHOCKS, THE
CUMULATIVE EFFECT COULD BE TO SIGNIFICANTLY REDUCE RESISTANCE
TO RATIONAL MANAGEMENT OF THE ECONOMY, THEREBY EVENTUALLY
CREATING A FAVORABLE CLIMATE FOR AID.

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12. IF, CONTRARY TO OUR EXPECTATIONS, BURMA ENCOUNTERS NO
MORE BAD NEWS SHOCKS IN THE FUTURE, IT WOULD PRESUMABLY MEAN
THAT THE MODEST REFORMS OF THE PAST COUPLE OF YEARS HAD
SOMEHOW, AGAINST ALL THE ODDS, SUCCESSFULLY TRANSFORMED THE

BURMESE ECONOMY INTO A GOING CONCERN, AND THAT A FAVORABLE CLIMATE FOR A MAJOR AID PROGRAM HAD THEREFORE BEEN CREATED. (ALTERNATIVELY, AND STILL MORE IMPROBABLY, THE ABSENCE OF BAD ECONOMIC NEWS COULD MEAN THAT BURMA HAD SOMEHOW SUCCEEDED IN MAKING THE ORGANIZATIONAL AND STRUCTURAL IMPROVEMENTS URGED BY EAST GERMAN ADVISERS, AND THAT BURMESE AT ALL LEVELS OF THE NEW STRUCTURE HAD PERFORMED THEIR ASSIGNED TASKS WITH A DILIGENCE AND EFFICIENCY APPROACHING THE TEUTONIC).

13. UNFORTUNATELY, IT IS A SOMEWHAT LARGER POSSIBILITY THAT BURMA'S ECONOMY MIGHT CONTINUE ON A MIDDLE COURSE, AVOIDING THE DEGREE OF DISASTER THAT MIGHT PARALYZE THE GOVERNMENT AND THEREBY ALLOW RATIONAL FORCES TO ASSERT THEMSELVES, BUT ALSO NOT ATTAINING A LEVEL OF PRODUCTIVITY THAT WOULD PROMISE AN EFFECTIVE RESPONSE TO AID. THE POSSIBILITY OF SUCH AN INDETERMINATE OUTCOME WOULD IN OUR OPINION BE INCREASED IF BURMA RECEIVED SUBSTANTIAL AID BEFORE INSTITUTING THE REFORMS NEEDED TO MAKE ITS ECONOMY FULLY PRODUCTIVE. AID IN SUCH CIRCUMSTANCES COULD SHIELD THE LEADERS FROM AWARENESS OF THE PROBABLE CONSEQUENCES OF THEIR FAILURE TO EFFECT REFORMS.

14. FINALLY, IT NEEDS TO BE CONSIDERED WHAT THE OUTLOOK WOULD BE IF NE WIN WERE REMOVED FROM THE SCENE (IF SAN YU WENT FIRST, THAUNG KYI WOULD PROBABLY STEP INTO HIS SHOES, AT LEAST TEMPORARILY, WITH LITTLE IMMEDIATE CHANGE IN THE POLICY OUTLOOK). SAN YU IS A LESS ERRATIC PERSONALITY THAN NE WIN, BUT WE DON'T KNOW FOR SURE WHAT HE WOULD BE LIKE OUT FROM UNDER NE WIN'S SHADOW. THE POLITICAL DYNAMICS OF HIS POSITION WOULD, HOWEVER, PUSH HIM (OR INDEED ALMOST ANY SUCCESSOR) IN THE DIRECTION OF LIBERAL REFORM. WITH NE WIN
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FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 3439

C O N F I D E N T I A L SECTION 4 OF 4 RANGOON 1260

LIMDIS

GONE, ANY SUCCESSOR WOULD NEED TO BROADEN HIS POWER BASE, AND THE BEST WAY TO ENHANCE HIS POPULARITY, NOT JUST AMONG THE GENERAL POPULATION, BUT AMONG THE MILITARY AND EVEN THE BSPP RANK AND FILE AS WELL, WOULD BE TO LIBERALIZE. ANY ATTEMPT BY A SUCCESSOR TO MOVE BURMA SHARPLY TO THE LEFT WOULD BE SO UNPOPULAR AS TO REQUIRE THE FULL AND LOYAL SUPPORT OF THE ARMY TO MAKE THE PEOPLE HOLD STILL FOR IT. NEITHER SAN YU NOR ANY OTHER LIKELY SUCCESSOR COULD COUNT ON MUCH BACKING FOR THAT PURPOSE.

15. THE CONCLUSION SUGGESTED BY THE ABOVE ANALYSIS IS THAT THE PROSPECTS OF BURMA'S BECOMING A TRULY PRODUCTIVE ECONOMY, ABLE TO MAKE OPTIMUM USE OF LARGE QUANTITIES OF ECONOMIC AID, ARE DIMMER THAN SOME OF THE MORE ENTHUSIASTIC POTENTIAL DONORS SEEM ANXIOUS TO BELIEVE; YET AT THE SAME TIME SUCH A PROSPECT CANNOT BE RULED OUT ALTOGETHER. THE ANALYSIS TENDS TO CONFIRM THE CORRECTNESS OF OUR BASIC POSTURE, OF WAITING WITH A SYMPATHETIC MANNER FOR SOME CONCRETE DEMONSTRATION THAT BURMA HAS MADE ITS ECONOMY MORE PRODUCTIVE BEFORE INITIATING ANY SIGNIFICANT AID PROGRAM. WE SHOULD OF COURSE REMAIN ALERT FOR ANY SIGNS OF CHANGE, AND IF, FOR EXAMPLE, BURMA IS REALLY RECEPTIVE TO "JOINT VENTURE" INVESTMENT, WE SHOULD DO WHAT WE APPROPRIATELY CAN TO FURTHER PARTICIPATION BY AMERICAN
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FIRMS. HOWEVER, WE NEED NOT BE OVEREAGER IN LOOKING FOR SIGNS OF EFFECTIVE REFORM. IF AND WHEN EFFECTIVE REFORMS OCCUR, THE RESULTS SHOULD BE VISIBLE TO THE NAKED EYE. MEANWHILE, OUR WAITING POSTURE IS NOT GOING TO PUSH THE GUB OVER ANY OTHERWISE AVOIDABLE BRINKS.
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